

## Information Services Board Briefing Paper on the Health Care Authority Insurance System Replacement Project

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### Description

At the February 2003 Information Services Board meeting, the Health Care Authority's (HCA) Insurance System Replacement Project (ISRP) was elevated to Level 3 oversight. The increased oversight was the result of delays in the project that caused HCA and its vendor, Healthaxis Incorporated of Irving, Texas to determine that the June 30, 2003 date could not be met. A new implementation date of October 6, 2003 was set. HCA will present the project's status.

### Recommendation

ISB oversight staff recommends that HCA, in concert with the Department of Personnel (DOP), develop a mitigation plan to modify the current DOP system to support benefits open enrollment, as has been done in the past. In addition, staff recommends that HCA and Healthaxis determine which organization will be responsible for funding these possible DOP system modifications.

### Status

HCA has postponed the ISRP system implementation date from June 30, 2003 to October 2003. No change has been made to scope, requirements, or budget. All three major system deliverables are on site and in test. However, system test is behind schedule due to the quantity of high priority defects (application bugs) and the amount of time needed to fix them.

### Issues

- Schedule: System test is approximately three weeks behind schedule. Earlier this year HCA revised its schedule to reflect an October 6, 2003 implementation date to coincide with the beginning of benefits open enrollment. HCA and Healthaxis must now determine if this new date is achievable.
- Impacts on DOP: DOP operates and provides technical support for the current HCA insurance and eligibility accounting systems. The delay of ISRP to October 6<sup>th</sup> will require DOP to make routine maintenance modifications to the current HCA systems to support open enrollment scheduled to begin in late October. DOP must install new vendor rates and produce mailing and quote information for member groups. The current HCA systems cannot be decommissioned until ISRP is in production. This will delay the availability of some DOP support personnel until ISRP implementation.
- Budget/Cost: The budget for ISRP has increased by \$150,000 to cover internal project staffing costs due to the implementation delay. HCA received approval to carry forward unspent funds to the 2003-05 Biennium to cover the later implementation date and increased cost. HCA has included the costs to continue running the legacy systems at both DOP and HCA, including costs associated with preparation for open enrollment. HCA and DOP are extending the operating agreement to allow for the later implementation date of ISRP.

### Background

ISRP is intended to replace current systems supporting both the Public Employee Benefit Board (PEBB) and Basic Health (BH) health care benefits programs. The PEBB program provides

medical, dental, life, and long-term disability insurance for eligible public employees and retirees, and their dependents. The BH program provides affordable health care coverage to qualifying Washington State residents.

HCA uses two separate computer systems to support these benefits programs: PEBB was developed and is supported and maintained by the Department of Personnel (DOP); BH was developed and is supported and maintained by HCA. These systems perform HCA business operations including: eligibility determination, member enrollment, premium collection, and carrier payment. The current systems, designed and developed by different agencies prior to the merger of the Basic Health Plan and HCA, are unable to meet the changing business requirements of the agency. The systems are written in two different computer languages, use separate databases, contain two separate interfaces to many of the same insurance plans, and require redundant, separate maintenance and enhancements.

HCA completed a feasibility study in September 2000 that recommended moving to a single health insurance system to support both PEBB and BH insurance lines of business. The preferred alternative was to competitively procure application software and related implementation services. The feasibility study and corresponding decision package were approved by the ISB on September 29, 2000. The 2001 Legislature appropriated \$3.635 million for this initiative. The bid was awarded to Healthaxis, Inc. of Irving, Texas and the contract was signed on May 24, 2002.